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**HEALTH CARE CENTERS IN SCHOOLS, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2005**

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-11-2006



**HEALTH CARE CENTERS IN SCHOOLS, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2005**

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**Postlethwaite & Netterville**

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Health Care Centers in Schools, Inc.  
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of Health Care Centers in Schools, Inc. (a not-for-profit organization) as of June 30, 2005 and 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Health Care Centers in Schools, Inc. as of June 30, 2005 and 2004, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 16, 2005, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
December 16, 2005

**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2005 AND 2004**

**ASSETS**

	<u>2005</u>	<u>2004</u>
Cash and cash equivalents	\$ -	\$ 4,453
Receivables, net	290,672	266,400
Prepaid insurance	18,146	3,838
Other receivables	4,759	-
Total current assets	<u>313,577</u>	<u>274,691</u>
Property and equipment, net	<u>38,970</u>	<u>33,324</u>
Property and equipment, net	<u>38,970</u>	<u>33,324</u>
<b>Total assets</b>	<b><u>\$ 352,547</u></b>	<b><u>\$ 308,015</u></b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Outstanding checks in excess of bank balance	\$ 37,005	\$ -
Line of credit	50,100	71,471
Accounts payable	20,330	26,016
Due to the Louisiana Assembly on School Based Health Care	178,643	149,103
Accrued salaries and payroll liabilities	71,162	33,060
Total liabilities	<u>357,240</u>	<u>279,650</u>

**NET ASSETS**

Unrestricted	(11,885)	(8,804)
Temporarily restricted	<u>7,192</u>	<u>37,169</u>
Total net assets	<u>(4,693)</u>	<u>28,365</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 352,547</u></b>	<b><u>\$ 308,015</u></b>

The accompanying notes are an integral part of these statements.

**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	2005		
	Unrestricted	Temporarily Restricted	Total
<b><u>SUPPORT AND REVENUE</u></b>			
Office of Public Health	\$ 1,016,784	\$ -	\$ 1,016,784
East Baton Rouge Parish School Board	1,200,000	-	1,200,000
East Baton Rouge Parish School Board - Title I	-	129,530	129,530
Medicaid	143,974	-	143,974
Donated services	90,734	-	90,734
Louisiana's Children's Trust Fund	-	8,000	8,000
Istrouma Teen Learning	39,208	-	39,208
Baton Rouge Area Foundation	-	5,000	5,000
United Way	-	-	-
Blue Cross Blue Shield	-	-	-
Partners in Prevention	90,397	-	90,397
St. Helena Community Center	9,600	-	9,600
Children's Miracle Network	-	15,000	15,000
Arts Council	-	1,497	1,497
Kellogg Foundation	-	33,000	33,000
New Mexico	-	-	-
Pennington Foundation	-	-	-
Other revenues	4,388	368	4,756
	<u>2,595,085</u>	<u>192,395</u>	<u>2,787,480</u>
Net assets released from restrictions	222,372	(222,372)	-
Total support and revenue	<u>2,817,457</u>	<u>(29,977)</u>	<u>2,787,480</u>
<b><u>PROGRAM SERVICE EXPENSES</u></b>			
Salaries and benefits	2,179,315	-	2,179,315
Contractual services	59,335	-	59,335
Health education	2,791	-	2,791
Other	71,057	-	71,057
Repairs and maintenance	18,122	-	18,122
Insurance	31,186	-	31,186
Interest	802	-	802
Depreciation	8,146	-	8,146
Medical supplies	23,176	-	23,176
Office supplies	41,655	-	41,655
Professional fees	22,086	-	22,086
Travel and meals	29,309	-	29,309
Total program service expenses	<u>2,486,980</u>	<u>-</u>	<u>2,486,980</u>

The accompanying notes are an integral part of these statements.

2004

Unrestricted	Temporarily Restricted	Total
\$ 1,050,792	\$ -	\$ 1,050,792
-	-	-
-	-	-
51,190	-	51,190
87,994	-	87,994
-	5,000	5,000
44,775	-	44,775
-	25,000	25,000
-	18,300	18,300
-	5,000	5,000
100,000	-	100,000
4,900	-	4,900
-	20,000	20,000
-	5,987	5,987
-	-	-
-	10,000	10,000
-	25,000	25,000
9,180	-	9,180
1,348,831	114,287	1,463,118
148,451	(148,451)	-
1,497,282	(34,164)	1,463,118
1,091,125	-	1,091,125
75,215	-	75,215
6,225	-	6,225
41,733	-	41,733
3,650	-	3,650
32,115	-	32,115
5,089	-	5,089
7,729	-	7,729
27,043	-	27,043
21,119	-	21,119
43,903	-	43,903
8,606	-	8,606
1,363,552	-	1,363,552

**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	2005		
	Unrestricted	Temporarily Restricted	Total
<b><u>SUPPORT SERVICE EXPENSES</u></b>			
Salaries and benefits	\$ 269,476	\$ -	\$ 269,476
Contractual services	38,981	-	38,981
Postage	1,087	-	1,087
Office supplies	5,436	-	5,436
Professional fees	5,470	-	5,470
Travel and meals	6,962	-	6,962
Other	6,146	-	6,146
Total support service expenses	<u>333,558</u>	<u>-</u>	<u>333,558</u>
 Total expenses	 <u>2,820,538</u>	 <u>-</u>	 <u>2,820,538</u>
 <b><u>CHANGE IN NET ASSETS</u></b>	 (3,081)	 (29,977)	 (33,058)
 Net assets - beginning of year	 <u>(8,804)</u>	 <u>37,169</u>	 <u>28,365</u>
 <b><u>Net assets - end of year</u></b>	 <u>\$ (11,885)</u>	 <u>\$ 7,192</u>	 <u>\$ (4,693)</u>

The accompanying notes are an integral part of these statements.



2004

Unrestricted	Temporarily Restricted	Total
\$ 123,311	\$ -	\$ 123,311
40,037	-	40,037
1,227	-	1,227
2,347	-	2,347
5,000	-	5,000
4,751	-	4,751
2,772	-	2,772
<u>179,445</u>	<u>-</u>	<u>179,445</u>
 1,542,997	 -	 1,542,997
 (45,715)	 (34,164)	 (79,879)
<u>36,911</u>	<u>71,333</u>	<u>108,244</u>
<u>\$ (8,804)</u>	<u>\$ 37,169</u>	<u>\$ 28,365</u>

**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ (33,058)	\$ (79,879)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	8,344	7,729
Change in accounts receivable	(24,272)	5,569
Changes in accounts payable	23,854	166,610
Change in accrued salaries and payroll taxes	38,102	13,078
Change in prepaid insurance and other receivables	(19,067)	(138)
Net cash provided by (used in) operating activities	<u>(6,097)</u>	<u>112,969</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of property and equipment	(13,990)	(23,931)
Net cash used in investing activities	<u>(13,990)</u>	<u>(23,931)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Increase in outstanding checks in excess of bank balance	37,005	-
Net payments on line of credit	(21,371)	(85,429)
Net cash provided by (used in) financing activities	<u>15,634</u>	<u>(85,429)</u>
 Net increase (decrease) in cash and cash equivalents	 (4,453)	 3,609
 Cash and cash equivalents - beginning of year	 <u>4,453</u>	 <u>844</u>
 Cash and cash equivalents - end of year	 <u>\$ -</u>	 <u>\$ 4,453</u>
 <b><u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u></b>		
Cash paid during the year for interest	<u>\$ 1,063</u>	<u>\$ 5,089</u>

The accompanying notes are an integral part of these statements.

**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

1. **The Organization**

Health Care Centers in Schools, Inc. (the Organization) is a private not-for-profit organization located in Baton Rouge, Louisiana. The Organization was created to provide comprehensive health care services to students in need at local schools. The Organization links education with physical and emotional health care to promote the overall well-being of the students. The Organization fulfills its objectives by operating eight clinics (Glen Oaks Middle School, Westdale Middle School, Prescott Middle School, Northeast High School, Istrouma High School, Glen Oaks High School, Capitol High School, and Northeast Elementary School) and coordinating the school nurse program for the East Baton Rouge Parish School Board. These programs are funded by grants received from the State of Louisiana Office of Public Health as well as various other revenues.

2. **Summary of significant accounting policies**

The accounting and reporting policies of the Organization conform to the accounting principles generally accepted in the United States of America. The significant accounting policies used by the Organization in preparing and presenting its financial statements are summarized as follows:

**Basis of presentation**

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not have any permanently restricted net assets.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Accounts receivable**

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end and are determined to be past due on contractual terms. Based on management's assessment of such amounts, it has concluded that realization losses, if any, on balances outstanding at year end will be immaterial.

**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

2. Summary of significant accounting policies (continued)

Property and equipment

Property and equipment are stated at historical cost. Donated property is recorded at its fair value on the date of receipt, which is then treated as cost. Additions, renewals, and betterments that extend the lives of assets are capitalized. Maintenance and repair expenditures are expensed as incurred.

Depreciation has been calculated using the straight-line method over the estimated useful lives of the related assets, which range from 5 to 7 years.

Temporarily and permanently restricted net assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time or purpose. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated services

The Organization recognizes revenue for certain services received at the estimated fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation. The value of donated services provided by physicians for the years ended June 30, 2005 and 2004, was calculated based on the total compensation package of the physicians volunteering their time.

The organization also receives donated office space and accordingly recognizes such revenues at estimated fair market value.

Contributions

The Organization accounts for grants and contributions in accordance with the requirements of Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

2. Summary of significant accounting policies (continued)

Income taxes

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the financial statements.

Statements of cash flows

For purposes of cash flow presentation, the Organization considers cash in operating bank accounts, cash on hand, and all short-term instruments having original maturities of three months or less, to be cash and cash equivalents.

Reclassifications

Certain amounts on the 2004 financial statements have been reclassified to conform with the 2005 financial statement presentation

3. Concentration of contributions

The Organization received approximately 37% and 72% of its annual revenues from the State of Louisiana Office of Public Health during the years ended June 30, 2005 and 2004, respectively. The Organization received approximately 48% of its annual revenues from the East Baton Rouge Parish School Board during the year ended June 30, 2005.

4. Temporarily restricted net assets

Temporarily restricted net assets were available for the following purposes at June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
GAPS Program	\$ -	\$ 1,230
Obesity Project	-	18,011
Children's Miracle Network	2,192	3,231
Baton Rouge Area Foundation	5,000	-
Grand Round Luncheon	-	73
Pennington Foundation	-	14,624
	<u>\$ 7,192</u>	<u>\$ 37,169</u>

**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

5. Net assets released from restrictions

Net assets released from donor restrictions for incurring program related expenses satisfying the restricted purposes were as follows for the years ended June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Obesity Project	\$ 18,011	\$ 13,639
Community Outreach Workers	-	42,974
GAPS Program	1,230	-
The Frost Foundation	-	20,000
Blue Cross Blue Shield	-	5,129
Children's Miracle Network	16,039	31,575
Committed to Kids	-	100
Go for the Grain	-	3,243
Grand Round Luncheon	73	427
Pennington Foundation	14,624	10,377
Children's Trust Fund	8,000	5,000
Arts Council	1,497	5,987
New Mexico	-	10,000
Kellogg Foundation	33,000	-
Title I	129,530	-
Other	368	-
	<u>\$ 222,372</u>	<u>\$ 148,451</u>

6. Property and equipment

Property and equipment consisted of the following at June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Computer equipment	\$ 30,665	\$ 28,688
Leasehold improvements	10,447	10,447
Office equipment	<u>34,604</u>	<u>22,591</u>
	75,716	61,726
Less: accumulated depreciation	( 36,746)	( 28,402)
Property and equipment, net	<u>\$ 38,970</u>	<u>\$ 33,324</u>

7. Line of credit

The Organization has established a revolving line of credit with a bank for \$175,000. The line of credit accrues interest at a variable rate based on prime; the interest rates were 6.00% and 4.75% at June 30, 2005 and 2004, respectively. The line of credit is secured by accounts receivable and is due on demand. There were balances outstanding of \$50,100 and \$71,471 at June 30, 2005 and 2004, respectively.

**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

8. Prior period adjustment

During the year ended June 30, 2005, the Organization discovered an adjustment that needed to be made concerning previously reported revenues and liabilities. Included in temporarily restricted revenues for the year ended June 30, 2004, were revenues received from a donor that were required to be used on behalf of or transferred to a separate entity specified by the donor. These assets should have been recorded as a liability when received by the Organization during the year ended June 30, 2004.

As a result of these adjustments, the change in net assets for the year ended June 30, 2004, and temporarily restricted net assets as of June 30, 2005, were \$149,103 less than previously reported, and an additional liability in the amount of \$149,103 to the Louisiana Assembly on School Based Health Care was recorded as of June 30, 2004.



**Postlethwaite & Netterville**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Health Care Centers in Schools, Inc.  
Baton Rouge, Louisiana

We have audited the financial statements of Health Care Centers in Schools, Inc. (the Organization) as of and for the year ended June 30, 2005, and have issued our report thereon December 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by fraud or errors in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management of Health Care Centers in Schools, Inc. and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite : Netterville*

Baton Rouge, Louisiana  
December 16, 2005



**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

A. Summary of audit results:

- (1) The independent auditors' report expressed an unqualified opinion on the financial statements of Health Care Centers in Schools, Inc. as of and for the year ended June 30, 2005.
- (2) No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- (3) No instances of noncompliance material to the financial statements of Health Care Centers in Schools, Inc. were disclosed during the audit.
- (4) A management letter was not issued in connection with the current year audit.

B. Findings - financial statement audit:

- (1) None

**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2004**

A. **Findings - financial statement audit:**

(1) None